Office of Management and Budget
Performance Plan FY10

**Contribution to Montgomery County Results:**

Result: OMB contributes to the attainment of all eight result areas, but primarily contributes to A Responsive and Accountable County Government

Contribution of OMB:

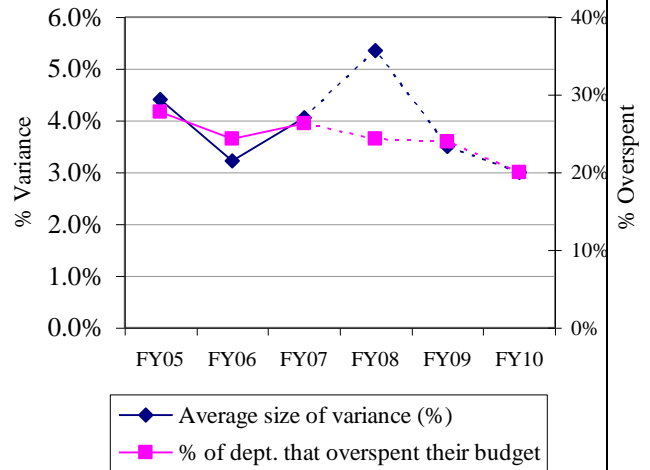| What OMB Does and for Whom	How Much
Budget Preparation and Administration Preparing & administering the operating & capital budgets & the six year Capital Improvements Program (CIP) & the six year fiscal plan (operating budget)	• $1,851,950 • 50.0% of total budget • 14.5 WYs • $5.25 billion in operating requests reviewed (420 competition list items) • 522 capital projects worth $4.7 billion reviewed • Reviewed and acted on over 582 position actions (create/abolish) • Reviewed and executed nearly 879 appropriation transfer requests • Reviewed and acted on 343 position exemption requests. • Reviewed, prepared, and monitored 31 supp. Approp. at a value of $57.4 M.
Performance Analysis and Improvement Providing management support through coordination of productivity improvements, performance measurement, and program evaluation	• $740,780 • 20.0% of total budget • 5.8 WYs • Reviewed and published 476 performance measures
Provision and Support of Budget Information Systems Developing, administering, and providing information technology systems (including ongoing customer support for these systems) that allow County Departments to prepare, manage and analyze their operating and capital budgets	• $555,580 • 15.0% of total budget • 4.4 WYs • Operated and maintained 11 IT systems that serve OMB and the enterprise
Provision of Fiscal Information and Advice Providing accurate, timely, and objective information, analysis, and recommendations to the County Executive, County departments, the County Council, and the general public on fiscal issues	• $370,390 • 10.0% of total budget • 2.9 WYs • Conducted 6 community budget forums & provided numerous other presentations to various unions, committees, resident groups, foreign delegations, and employees on fiscal

	and management issues.
	• Prepared over 39 fiscal impact statements
	• Drafted 225 CECCs
Policy Development and Implementation Developing, promulgating, and applying appropriate budgetary policies and procedures	• $185,190 • 5.0% of total budget • 1.5 WYs
Overall The Mission of the Office of Management and Budget is to support and enhance the effective, efficient operation of County government, maintain the County's fiscal integrity and financial condition, and preserve the County's AAA bond rating.	• Total Budget: $3,703,890 • Number of Employees: 33 • Workyears: 29 (excluding 2.0 WY detailed to ERP)

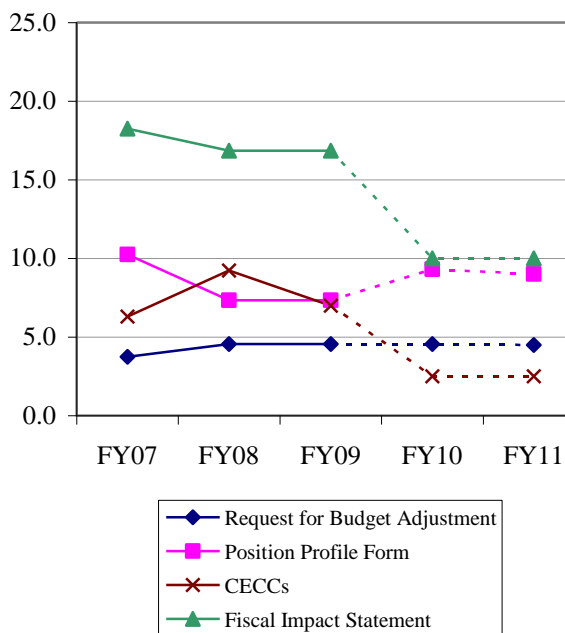**% of Customers Rating OMB Services as Good or Very Good***
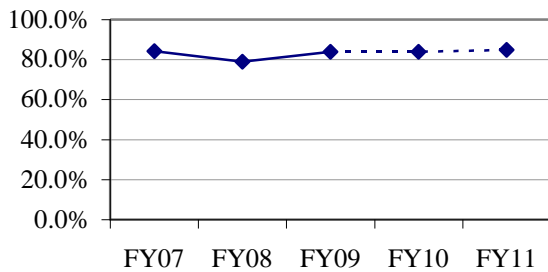
*Data for survey of FY10 not available at this time. Data expected in January 2010.

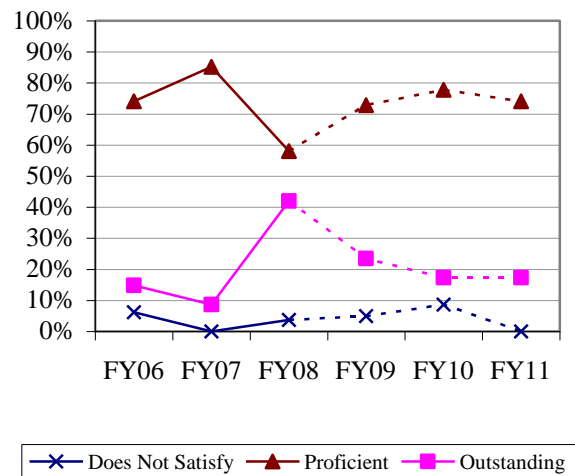**Absolute Variance Between Budgeted and Actual Expenditures***

Average size of variance (%)

% of dept. that overspent their budget

*Includes all funds, all departments

Average Number of Days to Process Requests

Request for Budget Adjustment
Position Profile Form
CECCs
Fiscal Impact Statement

Overall GFOA Ratings*

Does Not Satisfy — Proficient — Outstanding

* This measure is a composite of the GFOA rating on 4 separate aspects of a budget: Fin. Plan; Policy Doc.; Communications Device; & Operations Guide.

Headline Measures Under Construction:
1.   Results Based Budgeting: Composite measure across all departments of improvement in key performance measures.
2.   Actual percent difference between fiscal impact projections and actual fiscal impact of legislation.

Fitch 12 Practices of Highly Successful Finance Officers					
	Policy Exists	**Compliance with Policy**	**Meaure(s) for Compliance**	**Fitch Value***	**Indicator**
1 Fund Balance Policy	Yes	Yes[1]	Targeted and actual reserves as a percent of resources	Very Significant	Yellow
2 Multi Year Financial Forecasting	Yes	Yes	Annual Fiscal Plan	Significant	Green
3 Monthly/Quarterly Financial reporting and monitoring	Yes	Yes	2nd, 3rd, 4th Quarterly Analysis of revenues and expenditures	Significant	Green
4 Contingency Planning Policies	Yes	Yes[2]	Completion of COOPs	Influential	Green
5 Policies for Non Recurring Revenues	Yes	Yes[3]	Amount of Reserves over 6% used to fund budget	Influential	Yellow
6 Debt Affordability Reviews	Yes	Yes	SAG; Other TBD by Finance	Very Significant	Green
7 Superior Debt Disclosure Policies	Yes	Yes	Events reported	Very Significant	Green
8 PAYGO Capital Funding	Yes	Yes[4]	PAYGO as % of debt issue	Significant	Yellow
9 Rapid Debt Retirement (>65% in 10 years)	Yes	Yes	Monitored by Finance	Significant	Green
10 Five Year CIP integrating Operating Costs	Yes	Yes	Publications	Influential	Green
11 Financial reporting Awards	Yes	Yes	Receipt of Award	Influential	Green
12 Budgeting Awards	Yes	Yes	Receipt of Award	Influential	Green
Notes					
1 Deviations in FY04, FY10					
2 Business Continuity Plans; IT Disaster Recovery plans, but not budget contingency plans per se. Established practices for responding to shortfalls however do exist					
3 Certain non recurring revenues such as land sale proceeds are used exclusively in the capital budget. Other non-recurring revenues (e.g. fund balance carryovers in excess of target reserves) are used to fund new budget (including one time costs). Going forward should compare such non-recurring revenues to one time costs in operating and capital budgets (equipment, grants, PAYGO)					
4 Deviations in FY09-10					
* Order: Very Significant, Significant, Influential					

Fitch 13 Worst Practices for Government Issuers			
Practice	**Montgomery County Practice**	**Indicator**	**Note**
1 Cash Basis Accounting	Accrual or Modified Accrual	Green	
2 Qualified Audit Opinion of Material Weakness	No Material Weaknesses	Green	
3 Deficit Financing for two of past 5 years	No Deficit Financing	Green	
4 Slow Debt Retirement (<35% in 10 years)	68-69%	Green	
5 Unfunded Accrued Pension Liability (<60 %)	AV = 78.6%/MV = 61.9%	Yellow	
6 Tax and Revenue Anticipation Notes Growing	No RANs or TANs issued	Green	
7 Debt Restructuring that defers more than 35% of current debt service	No deferral of debt service	Green	
8 Overreliance on Non recurring Revenue (>15% of recurring expenses)	Policy to Avoid	Yellow	FY10 Budget assumed use of $39.4 M. in one time revenues. About 1% of recurring expenses. See draft Calculation Attached
9 Aggressive Investment Policy	Conservative, legally mandated investment policy	Green	
10 Pension Contribution Deferral	No deferral of pension contribution	Green	OPEB Liability deferred in FY10
11 Budgetary impasse beyond legal deadline	Before legal deadline	Green	
12 Lack of CIP	CIP	Green	
13 Excess interfund borrowing with no repayment plan in the near future	No interfund borrowing without repayment plan in near future	Green	Clarify SS PLD and Cable issues. I believe we do not consider these to be loans that require repayment

Story behind performance:
Contributing factors
- Bond Rating: Despite increasing operating, capital, and debt service costs and declining revenue estimates, the County has maintained its AAA bond rating through sound and active financial management, application of prudent fiscal policies, as well as a strong local economy. Responding in a timely manner to community expectations for facilities and services while maintaining sound fiscal policies and a balance between revenue and expenditure growth will remain a major challenge for OMB and the County.
- Processing Requests: Due to an enhanced management focus there has been a decline in the average number of days needed to process requests as well as an increase in customer satisfaction due to increased focus on customer service and in meeting the public hearing deadline for fiscal impacts statements for legislation.
- CIP Project Requests: OMB has developed a new IT system to enter and track capital budget requests that will expedite request submissions and allow analysts to process requests more efficiently. The effects of this change will be felt more in FY09 and FY10 as both departments and analysts gain familiarity with the system.
- CIP Project Requests: The number of CIP requests varies sharply from year to year because the County has a biennial Capital Improvements Program (CIP). Only certain projects that meet pre-defined criteria are included as amendments to the CIP.

Restricting forces
- Variances: There are significant pressures on certain departments, especially public safety departments, to exceed budget because of unanticipated service demands, use of overtime because of attrition or unscheduled leave, public pressure for responsive services, and unanticipated events (inclement weather). The challenge for OMB is to understand the underlying sources of this budget pressure and accurately recommend appropriation levels that do not discourage efficiencies. Please note that the FY08-FY10 savings plans created significant, intentional variances.
- Customer Service: A recurring concern noted in the OMB survey, and doubtless a drag on the level of customer satisfaction, was the need for better training of OMB analysts and more clear and consistent guidance in budget instruction materials.
- Processing Requests: Efficiency in responding to requests can be hampered by time demands of normal budget review responsibilities, complexity and volume of requests, quality of materials and information received, and timeliness in responding to OMB questions and requests for information. Additionally, improvements are needed in OMB's existing system for monitoring and tracking customer service requests so that team leaders have accurate, timely information on pending work and can focus on items that can be expedited and those that may need greater attention.
- Deployment of OMB Staff: To address staffing needs in other departments and keep key CE initiatives adequately resourced, OMB has detailed staff to several different offices (Transform MCG, Recreation, Bethesda and Silver Spring Regional Services Centers). However, these deployments have provided challenges for addressing ongoing OMB operations.

What we propose to improve performance:

To improve customer service, respond to requests in a timely manner, contribute to maintaining the County's AAA Bond Rating, and improve the accuracy of appropriation recommendations OMB proposes the following:

- →Results Based Budgeting: Improve process and analytical criteria used to evaluate operating and capital budget requests to more closely link that evaluation with measures that indicate contribution to achievement of County Executive priority results. This will require frequent and ongoing training from Department Director's to lower level budget preparers to understand a different approach to developing, justifying, and implementing budgets. The new budgeting system (Hyperion) will need substantial work to configure the performance modules and other underlying workflow processes so that it can be effectively used in results based budgeting.
- Performance Measures: Improve the quality and use of performance measures (headline measures and program performance measures) and by departments and OMB in resource allocation decisions and program management. Again, this will require frequent and ongoing training for OMB, Directors, and department staff to successfully implement. In preparation of the FY11 budget there will be an enhanced focus on development and use of program performance measures. This change is intended to provide a more meaningful relationship between the headline measures and departmental budgets and budget requests.
- Staff Recruitment and Assignment: Recruit and retain a diverse and highly skilled staff that is capable of performing complex analytical tasks. Assign OMB staff to work on more substantive budget issue areas that cover a larger proportion of the County budgets including larger departments and outside agencies.
- Staff Training: OMB is using existing staff, managers, and partnering with CountyStat for enhanced training on performance measures and budget analysis. An OMB manager has been assigned responsibility for developing a staff development program to sharpen analytical skills and improve substantive knowledge of relevant public policy subjects.
- → IT Systems: OMB is engaged in a number of efforts to improve its existing IT systems including: 1) assigning two experienced staff (manager and analyst) to work full time and two IT staff to work half time on development of the ERP project; 2) working with consultants and County ERP team to develop the architecture for the new Hyperion budgeting system. Work on other systems (publication, CIP Analyst, work processing have been frozen due to demands of ERP development as well as expectation that ERP and MC CRM will replace existing systems and address a majority of system needs.

Appendix A: Link to budget. Detail on priorities identified above in the proposed budget
- Process and Staffing Changes: Implementation of Results Based Budgeting, performance measurement improvements, recruitment and staff assignment will occur within existing OMB resources.
- Training: OMB's existing training budget is $13,000. For 33 employees this is an allocation of just $390/employees. The County offers several training opportunities for employees without additional cost, but there are certain specialized conferences and training opportunities for budget analysts that are not offered through the County sponsored programs. A more realistic target for per employee training opportunities is approximately $500-$1,000 per employee. As always, efforts will be made to

identify these resources through the existing base budget (reallocation, turnover savings, lapse, etc…)

- IT Improvements: OMB will work within existing resources by assigning IT staff and exploiting existing IT assets to achieve the improvements cited above. However, it may be necessary to increase funding for acquisition and configuration of the budget system components not adequately addressed by the new Hyperion system referenced above (e.g. publication, decision analysis, workflow tracking, etc…).

Appendix B: Implementation schedule: Timeline and deliverables for the proposed actions and corresponding performance measures.

- Results Based Budgeting and Performance Measures:
  - Training: Multiple training sessions have been held from FY08-FY10 for directors, OMB staff, and department staff and more are planned. In addition a one day Director's retreat on budget issues was held in September 2007 to discuss the budget and Results Based Budgeting. Training has been provided in FY10 jointly with CountyStat that focused on development of program performance measures and the relationship of these measures to the County's Results Accountability System. .
  - Department Submissions: Instructional materials for department preparers and OMB analysts have been revised to implement RBB for both FY09 through the FY11 budgets.
  - Publication materials: Significant revisions were made to the budget publication to both explain results based management (creating a culture of accountability) and results based budgeting. Headline measures were incorporated into the budget publication and given a prominent place in each department's section. Other changes are under review especially integrating program measures with the display of each budgetary program.
- Staff Recruitment: Frozen. Currently there is only one analyst vacancy and OMB is planning on abolishing this position in its FY11 operating budget. .
- Staff Assignment: Complete.
- Training: Completion of a comprehensive staff development plan has been delayed due to other priorities.
- IT Improvements:
  - Improvements to existing systems have been frozen due to the development of the ERP system. Currently 50% of OMB's IT staff resources have been dedicated to the ERP project.
  - Customer Service Database: improvements have been made to track position exemption requests and Programs of Requirements.

Appendix C: Data Development Agenda. List priorities for new or better data on performance

- Amend the annual OMB survey so that it includes data on customer satisfaction with OMB staff's ability to provide effective technical and management assistance (i.e. problem solving
- Clarify and fully document the value of productivity improvements identified and implemented in the operating and capital budgets.

ADDENDUM: Responsive and Sustainable Leadership

Responsive and Sustainable Leadership has been the cornerstone of the County Executive's vision for Montgomery County government. To advance this vision, we have identified the following overarching goals for all County departments:

1) **Collaborations and Partnerships**:
Department actively participates in collaborations and partnerships with other departments to improve results beyond the scope of its own performance measures.

OMB is actively working on a number of interdepartmental and community efforts which is part of our mission and impacts our performance including:

- Smart Growth Initiative: Working with DGS, Police, Fire and Rescue, County Executive's Office, Economic Development, and other departments to plan for and implement transit oriented development and relocate, build, and upgrade several critical County facilities including the Public Safety Training Academy, Public Safety Complex, First District Police Station, and the Equipment Maintenance Operations Center.
- Conducting Budget Forums with PIO, County Executive's Office, Regional Services Centers, and other departments to provide opportunities for expanded resident input into the budget and budget process
- Montgomery County Detention Center (MCDC) Reuse Committee: OMB is led an effort with DOCR, OCE, Sheriff's Office, Police, DPWT, the District Court Commissioners, and a private consultant to analyze alternatives for the Reuse of the MCDC facility.
- Procurement and Non-Profits: OMB is working with the Office of Community Partnerships, Procurement, Health and Human Services, Housing and Community Affairs to identify changes to the budget and procurement process to improve the relationship and services with the County's non-profit community.
- Municipal Revenue Sharing Task Force: OMB staff is working with the municipalities, Finance, County Council, and other departments on the task force to review the current method for reimbursing municipalities for services that they provide that the County would otherwise be obligated to provide their residents.
- Reorganization Committee: OMB participated actively in developing the County Executive's Reorganization plan including reviewing proposals and conducting research on potential opportunities for restructuring the County government to make it more effective and responsive to its residents.
- Presentations to Foreign delegation and community organizations: OMB frequently provides presentations on the budget and budget process to delegations visiting from other countries (most recently a delegation from Mali) and community organizations (Civic Federation, Council on Aging in Place, Commission on Aging, etc…)
- Enterprise Resource Planning: OMB has deployed four of its staff (2 full time and 2 part time) to work on the development and implementation of the ERP project with the departments of Finance, Procurement, Human Resources, Technology Services, and other user departments.
- MC311/CRM: OMB staff and management have worked closely with the MC311 team to develop the FY10 and FY11 Call Center and project budgets to adequately and efficiently resource this key County priority.
- Integrated Justice Information System (IJIS): OMB has two staff regularly attending and consulting with the IJIS steering committee to develop and implement this project with the other criminal justice departments.

- Computer Privacy: OMB provides staff for analysis and research on compliance with computer security standards including the Health Insurance Portability and Accountability Act (HIPAA) and the Payment Card Industry compliance issues.
- CountyStat: OMB attends all CountyStat sessions, has submitted numerous requests for special studies, and has jointly worked with CountyStat on a number of subjects including performance measure database, training, and special studies. OMB allocated a senior analyst to serve as a CountyStat fellow during the summer for 2009. In FY08, OMB dedicated one staff member full time for the development and implementation of the CountyStat program.
- State Grants: At a recent state conference on grant application and management OMB had two representatives present, one of which made a detailed presentation on performance measurement which was attended by over 100 people at the conference.
- Other Post Employment Benefits (OPEB): OMB provides active staff level support for implementing compliance with Government Accounting Standards Board Statement 45 on OPEB working with staff of the Department of Finance, Human Resources, Public Schools, Montgomery College, Maryland National Capital Park and Planning Commission, and Washington Suburban Sanitary Commission.
- Collective Bargaining: OMB provides staff support for the collective bargaining team to represent the County Executive in labor negotiations and hearings with the County's bargaining units and local fire and rescue departments
- Committees, Commissions, and Boards: OMB provides representation in other forums to work with the public, other departments, agencies and other levels of governments. This includes the following: Local Management Board (Collaboration Council), Strathmore Board of Directors, staff for the Criminal Justice Coordinating Commission, and staff for the Positive Youth Development committee.
- Senior Sub-Cabinet: OMB is represented on and actively participates in the County's Senior Sub-Cabinet, including preparation for the Senior Summit in November 2008.
- Sustainability Working Group (SWG): The OMB Director has been appointed to the SWG and will participate in reviewing and researching the development of a carbon based tax, and evaluating and costing other subcommittee proposals.
- Fiscal Plan: OMB annually convenes a meeting of the budget directors of the other Montgomery County agencies including MCPS, the College, and MNCPPC to discuss and collaborate on various fiscal related matters including budget projections, collective bargaining, performance measures, and other budgetary issues.
- ARRA Tracking and Compliance: OMB has worked extensively with the OCE, OCA, Finance, County Council, CountyStat, other government entities, and private consultants to ensure that ARRA appropriations to the County Government are expedited, accurately tracked, and that compliance, with budgeting aspects, are appropriately done.

2) **Innovations:**
Department actively seeks to be innovative in its efforts to improve performance.

- Reduced size of Approved Budget volume by eliminating information that was duplicated in Recommended budgets and posting other information on the web rather than in printed version. This resulted in savings over 17,000 pieces of paper.

3) **Effective and Productive Use of the Workforce/Resources:**

Department actively works to effectively and productively use its workforce/resources, including, but not limited to, better management of overtime, implementation of productivity improvements, reduction of ongoing costs, and efficient use of other resources.

- Reduced overtime from over 1,750 hours in FY07 to 1,104 hours in FY09. A reduction of over 610 hours or 36%.

- Reduced Budget by over $360,000 or nearly 9% in FY10. Total Budget reduced by nearly 3% compared to FY07.

- Reduced workyears by 7% since FY07.

- Reduced costs by $225,000 in FY09 – after contributing toward the Senior Summit and absorbing the cost for the B&D Consulting contract (ARRA consultant). Total savings returned to the general fund in the last three years (FY07-09) is over $800,000.

- Redeploying staff and managers to address needs in other departments and projects including:

  - Assigned an MIII to assist Silver Spring RSC Director in organizing budget and planning for opening of the Silver Spring Civic Building.

  - Assigned a Senior Management and Budget Specialist on a part time basis to support the Recreation Department in budgeting, HR, procurement, and other administrative functions.

  - Assigned two IT staff to the ERP project on a part time basis to develop reports.

  - Assigned a Senior Management and Budget Specialist to the Bethesda RSC on a part time basis to assist the Center and the RSCs in budget, HR, and other administrative functions.

4) **Succession Planning:**
Department actively plans for changes in its workforce, in order to maintain continuity of services, develop staff capabilities, maintain and/or transfer knowledge, and enhance performance.

- Staff and managerial assignments reviewed and modified each year to ensure a match between skills, experiences, training and responsibilities.

- Documentation exists for duties of PSP and CIP coordinators and Process and Production Coordinator.

- Annual Workprogram, including separate IT workprogram developed each year.

- CIP, PSP, and Administrative tasks are calendared and documented

5) **Internal Controls and Risk Management:**

Department actively assess its internal control strengths, weaknesses, and risks regarding compliance with laws and regulations, recording of financial transactions and stewardship over County assets. As subset of this goal, each department also manages risk pertaining to improving workplace safety, decreasing work-related injuries, and reducing County exposure to litigation.

- Limit the number of P Cards issues

- Appropriate and limited authority for purchases with defined roles for preparer, reviewer, and approver.

- Director reviews all P-Card purchases every month

- Regularly consult with County Attorney and Risk Management on liability and risk issues identified in budget reviews.

- Risk Management: Four claims reported in the last two years, only one of which resulted in an award, and none resulted in lost time.

6) **Environmental Stewardship:**
Department actively makes appropriate changes to workplace operations, workflow, employee behavior, equipment use, and public interactions to increase energy-efficiency, reduce its environmental footprint, and implement other environmentally responsible practices.

- See above on paper reduction in publication of the FY10 Approved Budget.

- Budget Distribution list reviewed and modified to reduce number of books printed and emphasize reliance on availability of budget publications on internet.

- FY11-16 CIP document reviewed to eliminate redundant/unnecessary pages.

- Implemented alternative work schedules in office with over 40% of staff participation.